

## Message Text

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72

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 CIAE-00 PM-03 H-02 INR-07 L-02

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AMEMBASSY STOCKHOLM

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DIA WASHDC

USCINCEUR VAIHINGEN GER

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EO 11652: N/A

TAGS: ELAB, PINT, PO

SUBJ: MINISTER OF LABOR COSTA MARTINS' PRESS CONFERENCE

REF: FBIS LONDON 301024Z

SUMMARY: MINISTER OF LABOR COSTA MARTINS' PRESS CONFERENCE  
PERFORMANCE SHOWED HE IS INCREASINGLY AWARE OF THE MANY PRACTICAL  
PROBLEMS FACING PORTUGAL. CREEPING REALISM WAS EVIDENT IN HIS  
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RESPONSES TO A WIDE RANGE OF QUESTIONS DEALING WITH ECONOMIC

AND POLITICAL QUESTIONS. END SUMMARY.

1. MINISTER OF LABOR COSTA MARTINS MET INTERNATIONAL PRESS APRIL 29 IN 90 MINUTE PRESS CONFERENCE. MINISTER ACQUITTED HIMSELF ABLY. NUMEROUS LEADING QUESTIONS OFFERED OPPORTUNITIES TO STICK FINGER IN EYE OF U.S., BUT MINISTER WAS CAREFULLY CIRCUMSPECT AND BALANCED. HIS PERFORMANCE IS INDICATIVE THAT HE IS LEARNING ON THE JOB AND UNDERLINES THE POTENTIAL VALUE OF HIS PROJECTED VISIT TO THE UNITED STATES. (AMB'S LETTER INVITING COSTA MARTINS WAS DELIVERED APRIL 29.) MINISTER TOUCHED ON FOLLOWING MAJOR POINTS:

2. ELECTIONS -- ARMED FORCES MOVEMENT (AFM) COMPLIED WITH ITS PROMISE TO PEOPLE TO HOLD FREE ELECTIONS. THEORETICALLY THE RIGHT HAD NO PLACE TO VOTE AS THE CDS DECLARED ITSELF A CENTER PARTY, AND ALL THE OTHER PARTIES WERE TO THE LEFT OF THE CDS. HOWEVER, VOTERS OPTED CLEARLY FOR LEFT AS MAJORITY OF VOTES WERE TO LEFT OF PPD.

3. ATTEMPTED COUP OF MARCH 11 - DOES NOT BELIEVE THAT NEW COUNTERCOUP ONLY BY REACTIONARY ELEMENTS OF THE AFM IS POSSIBLE. BASED ON HIS ACQUAINTANCESHIP WITH GENERAL GALVAO DE MELO, UNDER WHOM COSTA MARTINS ONCE SERVED, HE THOUGHT IT UNLIKELY THE GENERAL WOULD PARTICIPATE IN COUNTERREVOLUTIONARY PLOTS.

4. FOREIGN RELATIONS -- PORTUGAL WILL ACCEPT COMMERCIAL CREDITS WITHOUT REGARD TO ORIGIN, IF OFFERED WITH GOOD WILL AND WITHOUT POLITICAL STRINGS. DURING HIS RECENT TRIP TO SOVIET UNION THERE WERE VAST OFFERS OF HELP AND COOPERATION. HE HOPES SOON TO HAVE OPPORTUNITY TO VISIT OTHER COUNTRIES. PORTUGAL DESIRES GOOD RELATIONS WITH THIRD WORLD COUNTRIES, BUT ONLY DEVELOPED COUNTRIES HAVE CAPABILITY OF ABSORBING PORTUGUESE EXPORTS AND PROVIDING NEEDED TECHNOLOGY.

5. PRODUCTIVITY TRENDS -- PRODUCTION DECLINED IN 1974 DUE MAINLY TO LABOR UNREST. GOVERNMENT IS PLANNING TO ASSIST NATIONAL INDUSTRY THROUGH PROGRAM ADMINISTERED BY MINISTRY OF INDUSTRY.

6. UNEMPLOYMENT -- APPROXIMATELY 180,000 UNEMPLOYED (SIX PERCENT OF WORK FORCE) DUE TO RECESSION AND CONSEQUENT DROP IN LIMITED OFFICIAL USE

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INVESTMENT, REDUCED EMIGRATION, DEMOBILIZATION OF MILITARY, AND RETURN OF PORTUGUESE FROM COLONIES.

7. WAGE POLICY -- CURRENT NATIONAL MINIMUM WAGE NEEDS TO BE RAISED, AS WELL AS OTHER WAGE LEVELS EVEN THOUGH THEY MAY BE SLIGHTLY ABOVE THE MINIMUM. IT MAY TAKE YEARS BEFORE EXISTING DISTORTIONS IN WAGES CAN BE ADJUSTED. GOVERNMENT HAS INTENTION OF CORRECTING INEQUITIES THROUGH FISCAL MEASURES, AND ALSO

INTENDS TO STIPULATE A NATIONAL MAXIMUM SALARY WHICH MAY BE RECEIVED BY AN INDIVIDUAL.

8. STRIKES -- ALWAYS A LAST-DITCH MEASURE BUT IN THIS TIME OF ECONOMIC DIFFICULTIES STRIKES ARE ANTI-REVOLUTIONARY. WORKERS SHOULD SEEK OTHER SOLUTIONS.

9. POLITICAL PURGING -- GOVERNMENT HOPEFUL THAT "SANEAMENTOS" (FIRINGS DUE TO POLITICAL IDENTIFICATION WITH PREVIOUS DICTATORSHIP) CARRIED OUT IN PRIVATE INDUSTRY HAVE SAME SAFEGUARDS AS GOVERNMENT ITSELF USING, E.G., RIGHT OF DEFENSE AGAINST CHARGES GUARANTEED.

10. ANARCHY IN FACTORIES -- PORTUGUESE ARE AN ORDERLY PEOPLE, AS DEMONSTRATED BY ELECTIONS. THE WORKERS COMMISSIONS AND UNION DELEGATES ARE ACTIVELY COLLABORATING IN THE RECONSTRUCTION OF COUNTRY. FACTORY OCCUPATIONS ARE SOMETIMES DUE TO POLITICAL FACTORS.

11. UNITARY LABOR LAW -- PRINCIPLE OF LABOR UNITY NOW RECOGNIZED AND MANY PERSONS ORIGINALLY OPPOSED TO LAW NOW SUPPORT IT. PROPOSED LAW GUARANTEES INTERNAL DEMOCRACY IN UNIONS AND ALLOWS WORKERS TO FREELY ELECT THEIR LEADERS. LAW BEING REVIEWED NOW BY REVOLUTIONARY COUNCIL BUT COSTA MARTINS HOPES IT WILL BE PUBLISHED SHORTLY.

12. NATIONALIZATIONS -- BUSINESS NATIONALIZATIONS WERE NOT IN RESPONSE TO ANY PARTISAN POLICY BUT AS A RESULT OF A DECISION BY THE REVOLUTIONARY COUNCIL. THERE ARE OTHER SECTIONS WHICH COULD BE NATIONALIZED, BUT IT WILL TAKE MUCH TIME AND MANY PROBLEMS NEED TO BE RESOLVED BEFORE SECTORS ALREADY NATIONALIZED CAN BE RESTRUCTURED. IT IS NECESSARY TO DO THIS BEFORE NATIONALIZING OTHERS.

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13. ECONOMIC SABOTAGE -- EXAMPLES OF INTERNAL ECONOMIC SABOTAGE ARE BUSINESSMEN WHO FLED COUNTRY INSTEAD OF ACTION RESPONSIBLY; BUSINESS DISINVESTMENT; AND THE GRANTING OF LARGE WAGE INCREASES TO WORKERS JUST PRIOR TO NATIONALIZATION. EXAMPLE OF FOREIGN BASED ECONOMIC SABOTAGE IS NUMEROUS CANCELLATIONS OF ORDERS BY FOREIGN IMPORTERS, "EVEN THOUGH CAREFUL JUSTIFICATIONS ARE OFTEN MADE." ALTHOUGH PRESSED FOR A REPLY, MINISTER REFUSED TO NAME COUNTRIES INVOLVED.

14. CIA -- SHOULD CIA INTERVENE IN LABOR AFFAIRS IT WOULD BE DIFFICULT TO PREVENT. ONLY PROTECTION IS FOR WORKERS TO BE ALERT TO AVOID ANY FOREIGN INTERVENTION IN INTERNAL AFFAIRS.

15. ECONOMIC POLICY -- "OLDER ECONOMISTS" COUNT ON INCREASED

UNEMPLOYMENT TO CURB INFLATION. AFM IS SEEKING OTHER SOLUTIONS  
IN PORTUGAL, BY REDUCING PROFITS AND THUS KEEPING PRICES DOWN.

16. AGRICULTURAL POLICY -- EMPHASIS SHOULD BE ON AGRICULTURAL  
DEVELOPMENT SO THAT MAXIMUM NUMBER OF WORKERS POSSIBLE WILL  
REMAIN IN AGRICULTURAL SECTOR DURING TRANSITION TO INDUSTRIAL-  
IZATION.

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PRESS CONFERENCES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 30 APR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**Executive Order:** N/A  
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**Original Previous Classification:** n/a  
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**Page Count:** 4  
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**Previous Handling Restrictions:** n/a  
**Reference:** 75 FBIS LONDON 301024Z  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MorefiRH  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 17 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <17 APR 2003 by BoyleJA>; APPROVED <21 MAY 2003 by MorefiRH>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** MINISTER OF LABOR COSTA MARTINS' PRESS CONFERENCE  
**TAGS:** ELAB, PINT, PO, (MARTINS, COSTA)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006